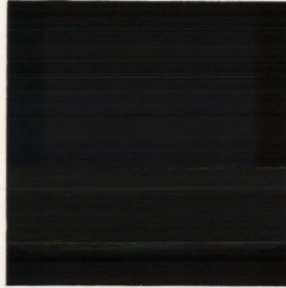




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ANNUAL REPORT HEUBLEIN, INC.

Heublein Inc.



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MARY G. FALVEY
PETER M. FRASER
RALPH A. HART
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THOMAS D. MANN

JOHN G. MARTIN
Chairman
WILLIAM H. MORTENSEN
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J. HAROLD WILLIAMS

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Secretary
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RALPH A. HART

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Controller
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Vice Presidents
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LEO FACCIOLO
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GRAHAM K. MUIRHEAD
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Assistant Controller
JOHN P. WILLIS

TRANSFER AGENTS

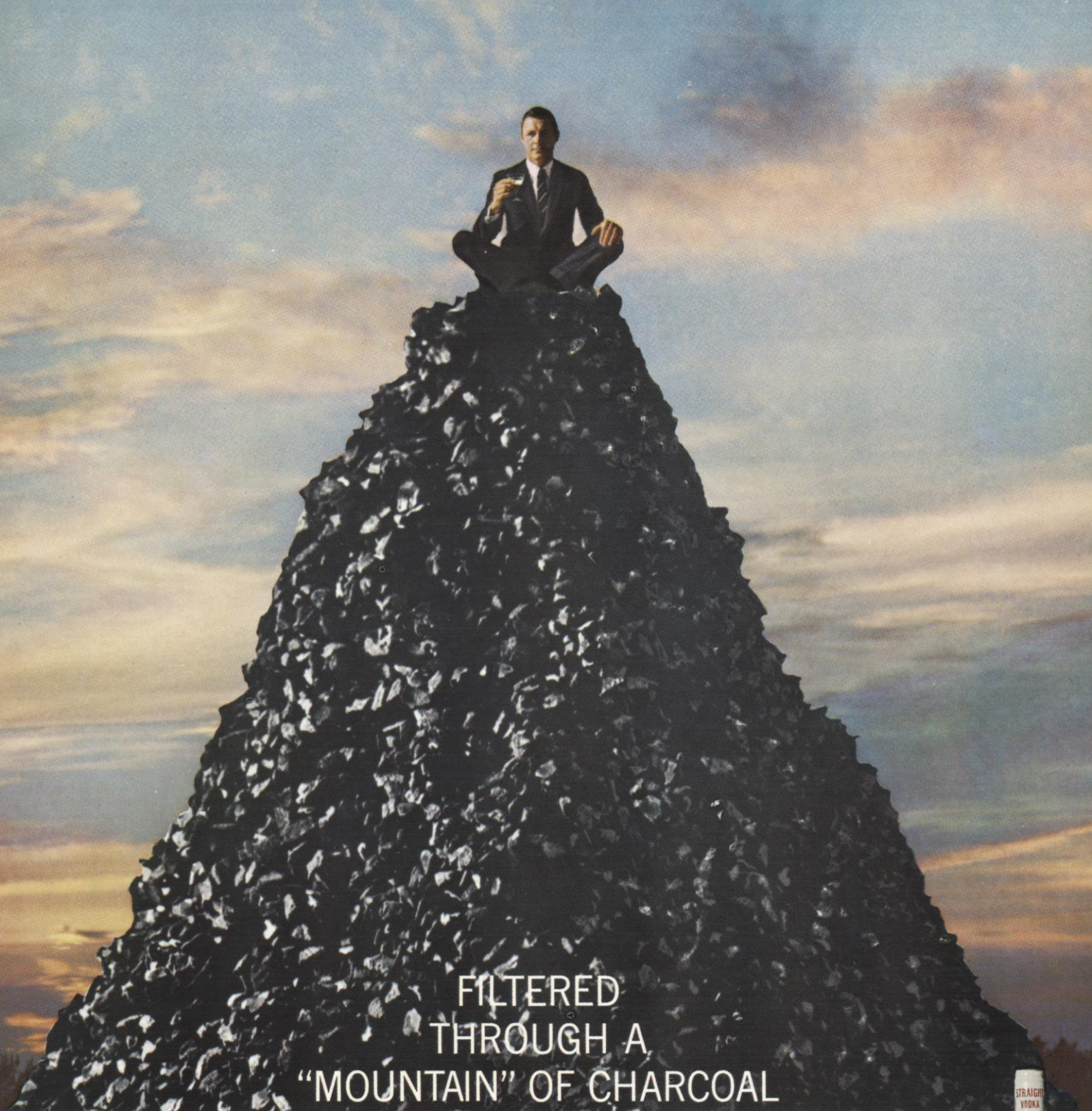
THE BANK OF NEW YORK
48 WALL STREET
NEW YORK 15, NEW YORK

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST CO. OF CHICAGO
231 SO. LA SALLE STREET
CHICAGO 90, ILLINOIS

REGISTRARS

MORGAN GUARANTY TRUST CO.
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23 WALL STREET
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50 LA SALLE STREET
CHICAGO 90, ILLINOIS



FILTERED
THROUGH A
"MOUNTAIN" OF CHARCOAL

TODAY SMIRNOFF OUTSELLS EVERY BRAND OF SCOTCH OR GIN

Every drop of Smirnoff is filtered and refined through 7 tons of activated charcoal. That's 14,000 lbs! Literally a "mountain" of charcoal. Far more charcoal filtration than other vodkas use. This "black magic" removes most of the congeners. No wonder Smirnoff is the world's

finest liquor. Smirnoff has no "bite." Smirnoff blends perfectly with fruit juices or soft drinks. Smirnoff leaves you breathless! Today Smirnoff outsells every brand of scotch and gin. Try it yourself, on the rocks or in a Martini, and find out why.

it leaves you breathless

Smirnoff®

THE WORLD'S LARGEST SELLING VODKA





HEUBLEIN HIGHLIGHTS

	1963	1962
Net sales	\$121,994,885	\$116,141,949
Income before income taxes	10,852,496	9,595,469
Income taxes — federal and state	5,830,000	5,188,000
Net income	5,022,496	4,407,469
Per share	1.03	.91
Dividends		
Cash — per share45	.38
Stock	—	1%
Working capital	26,891,204	24,335,198
Long-term debt	3,239,000	4,016,000
Stockholders' equity	30,929,352	28,462,668
Per share	6.34	5.85
Number of stockholders at June 30	11,647	11,142



TO OUR STOCKHOLDERS

Record sales and earnings for our Company reflect sound growth for the fiscal year attributable to intensified advertising and merchandising efforts. Net sales for fiscal 1963 totaled \$121,994,885; up from \$116,141,949, a gain of 5% over the previous year. Net income was \$5,022,496; up from \$4,407,469, a gain of 14%. Earnings per share were \$1.03, as compared with 91¢ in the previous fiscal year. Cash flow comprising net income, depreciation and amortization plus deferred income taxes amount to \$6,025,088 this year compared with \$5,340,365 in fiscal 1962.

On May 2, 1963, the Board of Directors increased the cash dividend by 50%, raising quarterly payments to stockholders from 10¢ to 15¢ per share. The increase in the cash dividend was in lieu of a stock dividend.

During the year the Company sold the Andersen Soup Company and terminated arrangements under which Heublein represented several other products. Although these products produced sales of \$1,100,000 more in fiscal 1962 than in fiscal 1963, good business practice dictated that the Company divest itself of products if efforts can be more profitably expended on other existing products.

Smirnoff Vodka, the sixth largest selling brand of any type of distilled spirit in the U.S. and Heublein's leading product, showed nearly

a 5% sales increase. Of the top six brands, Smirnoff enjoyed one of the largest gains not only in percentage, but in actual volume. Record sales were also achieved for Heublein Cocktails and Harvey's Bristol Cream Sherry.

A totally new advertising campaign for Smirnoff Vodka was tested during the year with highly gratifying results. This new campaign stresses the superiority of Smirnoff over any other brand of vodka. A copy of the first magazine advertisement in this new campaign is shown on the first page of this report.

Heublein Food Division continued to make a significant contribution to Company profits. A.1. Steak Sauce again achieved record sales and now enjoys the position of being the nation's largest selling sauce. Sales of this product have doubled in the last five years.

Profits in the Company's International Division have more than tripled in the past two year period. Further details regarding this operation will be found on page 6 of this report.

A number of new food and liquor products are in the process of development and several products are currently undergoing commercial evaluation in test markets. With the conviction that research in the area of new product development and consumer acceptance will constitute a cornerstone of our future growth, the Com-



pany is continuing its full scale program of product development, market research and quality control.

Under our acquisition program, we continue to appraise companies which may have an interesting potential and products that lend themselves to our marketing techniques including channels of distribution. Our Company is in a fine position both to acquire companies and finance future growth due to the flexibility afforded by our cash position and authorized stock.

Four vice presidents were elected during the past year. They are Paul R. Dohl, General Counsel; William A. Kilby, Director, International Division; Fred R. Nye, General Manager, Heublein Food Division and John M. Tyson, Jr., formerly Vice President and Regional Manager, Batten, Barton, Durstine & Osborn, one of the nation's largest advertising agencies. Mr. Tyson has been placed in charge of advertising and merchandising for the Company replacing Edward G. Gerbic, who has resigned as Senior Vice President and Director.

William E. Dolan, who joined the Company in 1946, retired at the end of the past fiscal year as a Vice President of Heublein, Inc. The Company would like to take this opportunity to express its appreciation for his fine service over the years.

Work has begun in Hartford to expand headquarters office facilities. This will provide additional needed office space as the Company grows and consolidates its key staff functions in Hartford.

The Company's college recruitment and training program is in full operation; new recruits have been chosen and will receive training in the current fiscal year. Programs of job evaluation and personnel development have also been activated during the year.

In addition, we are steadily becoming more efficient. We are using our people and our facilities in better ways. We are developing new products and finding new uses for old ones. We are adapting ourselves to the changes of time. We recognize our responsibilities to the stockholders and the general public.

In the final analysis, a company's future depends primarily upon its people and its products. We believe there are none better than those at Heublein, Inc., therefore it is appropriate, in closing, to salute the men and women of our Company who made the 1962 forecast of improved sales and earnings a reality of 1963.

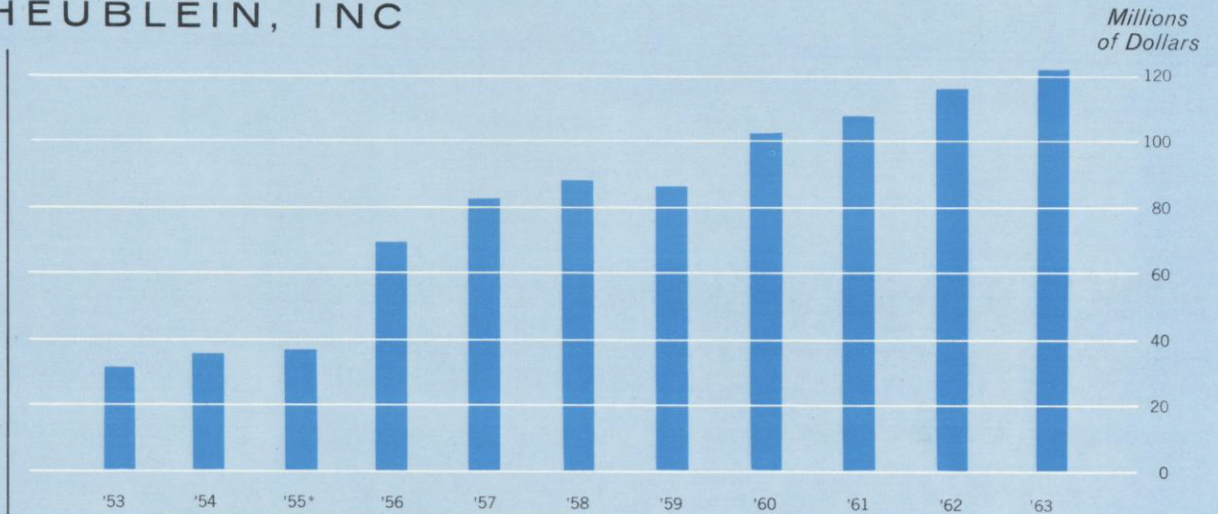
Chairman.

President.



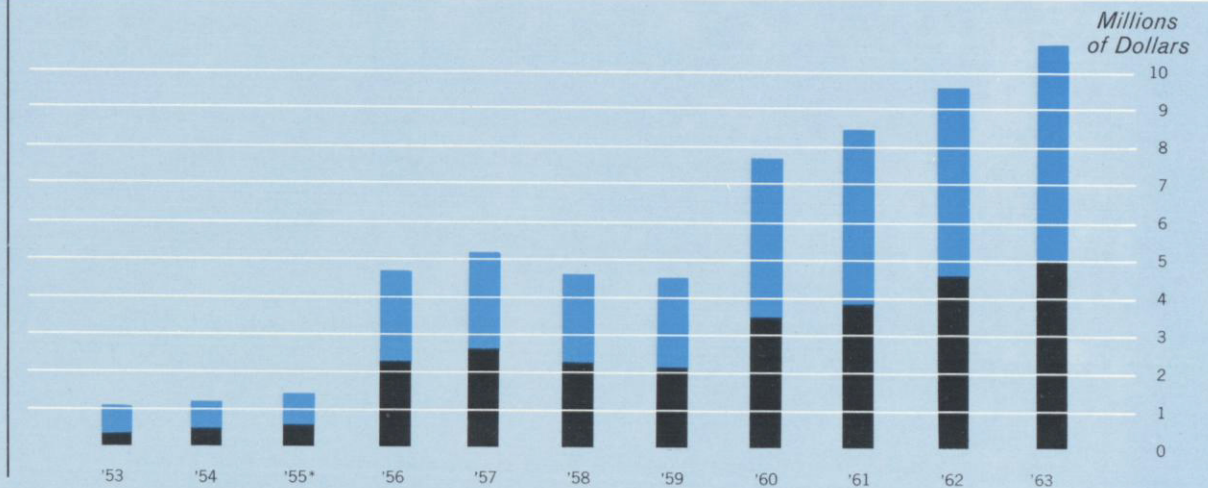
HEUBLEIN, INC

NET
SALES

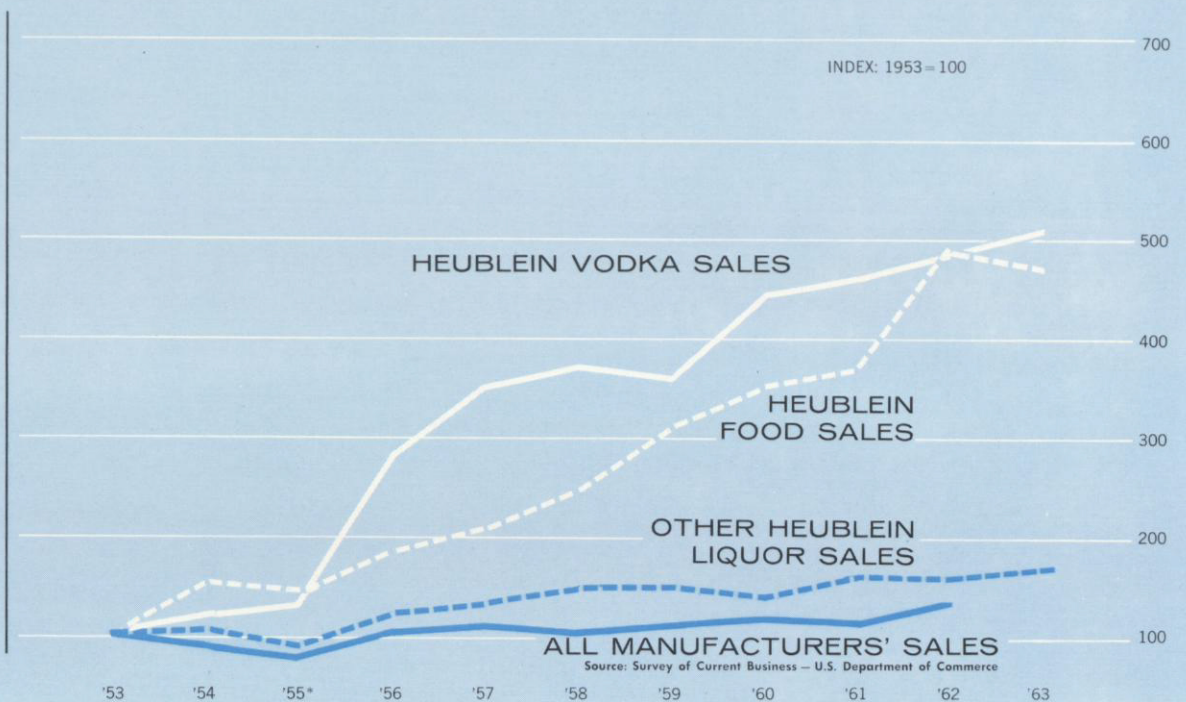


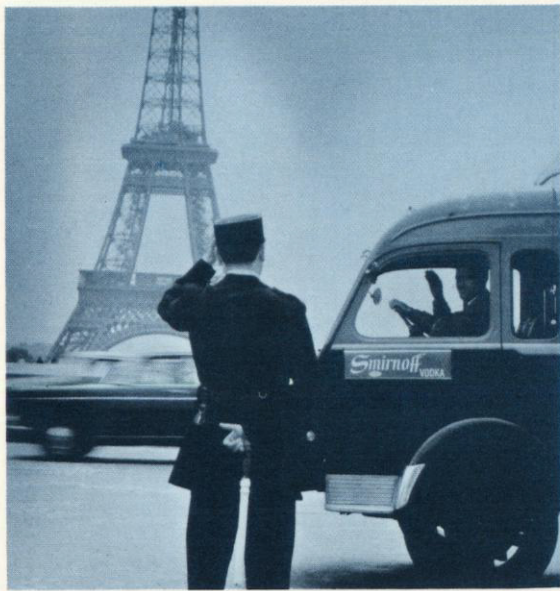
INCOME
BEFORE
TAXES

NET
INCOME



INCREASE
IN
\$ SALES





HEUBLEIN INTERNATIONAL

The International Division of Heublein is rapidly increasing its contribution to Company profit. While export sales since fiscal 1961 have increased 43%, International Division profits have increased 226%. In fiscal 1961, profits before taxes from the International Division were \$153,298; in fiscal 1962 they increased to \$387,365 and totaled almost \$500,000 for the fiscal year just ended. This is due to increased royalties and export sales.

In the past year licensing arrangements were negotiated in six additional countries: Belgium, East Africa, Ireland, Jamaica, Peru and Switzerland.

Throughout the free world Smirnoff Vodka is showing significant gains. The full color map in the center of this report shows the scope of Heublein operations today. The lights on the map indicate where Smirnoff licensees operate and products originate. The foldout also shows the complete line of products manufactured or imported into the U.S. by Heublein, Inc.

It is interesting to note that in Scotland, which has a population of 5 million, per capita consumption of Smirnoff Vodka exceeds per capita consumption of Smirnoff in the U.S. In the past year Smirnoff Vodka sales have made substantial gains in all foreign countries in which it is produced.

During the year the International Division also assumed responsibilities for overseas marketing of food products and the operation of Escoffier, Ltd., of England, a wholly owned subsidiary of Heublein, Inc.

Heublein management has every confidence in the future growth of its International Division. Additional licensing agreements for Smirnoff Vodka are now being negotiated and the Company is planning for expanded direct export as well as foreign manufacture of Heublein Cocktails.



SHOWN ABOVE L TO R: WHISKEY SOUR, DAIQUIRI, OLD FASHIONED, MANHATTAN, MARTINI—GARNISH IF DESIRED.

Pour your favorite cocktail right from the Heublein bottle

Whether you're serving two or twenty, notice how the home scene brightens when you pour delicious Heublein Cocktails instead of the same old plain whiskey. They're full strength and expertly made of the choicest liquors. Yet, drink for drink, these superb cocktails actually cost less than plain whiskey. Heublein Cocktails are completely ready to serve. Nothing to add but ice. Just pour on-the-rocks. *What'll it be tonight?*

11 FAVORITES—WHAT'S YOURS?
 EXTRA DRY MARTINIS, 67.5 PROOF
 MANHATTANS, 55 PROOF
 VODKA MARTINIS, 60 PROOF
 DAIQUIRIS, 52.5 PROOF
 WHISKEY SOURS, 52.5 PROOF
 GIN OR VODKA SOURS, 52.5 PROOF
 SCOTCH SOURS, 40 PROOF
 OLD FASHIONEDS, 62 PROOF
 SIDE CARS, 52.5 PROOF
 STINGERS, 50 PROOF

ALL THE LIQUOR'S IN THE BOTTLE NOTHING TO ADD BUT ICE

HEUBLEIN COCKTAILS

(PRONOUNCED HUGH-BLINE) ©HEUBLEIN, INC., HARTFORD, CONN., 1963. ALSO ENJOY DELICIOUS HEUBLEIN CORDIALS

World Wide Operati



Americas Best Selling Sauce





ons





Holiday Gift Packages



HEUBLEIN, INC.

CONSOLIDATED STATEMENT OF INCOME

Years ended June 30, 1963 and 1962

	1963	1962
Net sales	\$121,994,885	\$116,141,949
Cost of sales	89,499,769	85,792,834
Gross profit	32,495,116	30,349,115
Expenses:		
Selling and advertising	18,271,413	16,444,295
Administrative and general	3,709,848	4,110,553
	21,981,261	20,554,848
	10,513,855	9,794,267
Other deductions (income):		
Interest expense	207,976	241,072
Interest income	(239,661)	(124,015)
Gain on sale of property and business	(347,001)	—
Miscellaneous — net	40,045	81,741
	(338,641)	198,798
	10,852,496	9,595,469
Provision for income taxes:		
State	515,000	478,000
Federal	5,315,000	4,710,000
	5,830,000	5,188,000
Net Income	\$5,022,496	\$4,407,469

Provision for depreciation charged to income —
1963, \$866,128; 1962, \$798,941.

See accompanying notes.



HEUBLEIN, INC.

CONSOLIDATED BALANCE SHEET.....

ASSETS

Current assets:

	1963	1962
Cash, including time deposits of \$6,000,000 (\$3,500,000 in 1962)	\$ 8,743,983	\$ 6,663,892
Marketable securities, at cost (approximately market)	1,000,000	1,700,000
Investment in whiskey certificates, at cost (not in excess of market)	1,068,504	1,068,504
Accounts receivable	17,834,760	14,976,925
Inventories, at lower of cost (generally first-in, first-out) or market:		
Finished products	4,044,503	4,328,863
Products in process	798,345	852,026
Raw materials	3,486,414	3,635,738
Supplies	797,817	842,400
Prepaid expenses	355,993	411,025
Total current assets	38,130,319	34,479,373

Property, plant and equipment, at cost:

Land	362,693	401,044
Buildings	5,023,488	4,933,228
Machinery and equipment	6,353,747	6,363,365
	11,739,928	11,697,637
<i>Less accumulated depreciation</i>	5,376,785	4,665,154
Net property, plant and equipment	6,363,143	7,032,483

Deferred charges and other assets

642,656	703,174
---------	---------

Goodwill, less amortization

424,913	448,519
\$45,561,031	\$42,663,549

See accompanying notes.



HEUBLEIN, INC.

. . . . June 30, 1963 and 1962

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

	1963	1962
Accounts payable	\$ 2,078,327	\$ 2,197,506
Federal income tax	3,606,562	3,089,515*
Accrued liabilities:		
Taxes, other than federal income tax	1,989,910	1,898,834
Salaries and wages	779,613	719,649*
Other	1,274,450	1,040,698
Cash dividends payable	733,253	481,973
Long-term debt due within one year	777,000	716,000
Total current liabilities	11,239,115	10,144,175

Long-term debt due after one year:

4¾% debentures, due January 1, 1977 (Note 1)	3,239,000	4,016,000
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Deferred federal income tax (Note 2)	153,564	40,706*
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Stockholders' equity:

Capital stock:

Cumulative preferred — without par value 500,000 shares authorized and unissued		
Common — par value \$1 per share (Note 3):		
Authorized — 10,000,000 shares		
Issued — 4,908,750 shares (4,819,725 in 1962)	4,908,750	4,819,725
Stock dividend payable — 44,977 shares	—	44,977
Paid-in surplus	12,646,709	12,447,118
Earned surplus	13,971,858	11,150,848
	31,527,317	28,462,668
Less: Cost of 30,400 shares of common stock in treasury	597,965	—
Total stockholders' equity	30,929,352	28,462,668
	\$45,561,031	\$42,663,549

See accompanying notes.

* Reclassified to conform to classification in 1963.



HEUBLEIN, INC.

CONSOLIDATED STATEMENTS OF SURPLUS

Years ended June 30, 1963 and 1962

Paid-in Surplus

	1963	1962
Balance at beginning of year	\$12,447,118	\$ 8,059,178
Add:		
Excess of option price over par value of common stock issued on exercise of options	199,591	220,941
Excess of market value over par value of common stock issued as a stock dividend	—	969,817
Transfer from common stock in connection with a three-for-one stock split and simultaneous reduction in par value from \$5 to \$1 per share	—	3,197,182
Balance at end of year	\$12,646,709	\$12,447,118

Earned Surplus

Balance at beginning of year	\$11,150,848	\$ 9,674,320
Net income	5,022,496	4,407,469
	16,173,344	14,081,789
Deduct dividends declared:		
Cash — \$.45 per share (\$.38 in 1962)	2,201,486	1,843,497
Stock:		
1% — 44,977 shares, at market value	—	1,014,794
Cash in lieu of fractional shares	—	72,650
	2,201,486	2,930,941
Balance at end of year	\$13,971,858	\$11,150,848

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — Long-term debt: On January 1 of each year the Company is required to redeem \$375,000 principal amount of debentures and an additional principal amount equal to 10% of the excess of consolidated net income (as defined in the indenture) for the preceding fiscal year over \$1,000,000.

The indenture also requires the Company to maintain consolidated net current assets (as defined) of the greater of \$5,000,000 or 150% of outstanding debentures. Consolidated net current assets at June 30, 1963 exceeded the requirement by \$21,168,544.

NOTE 2 — Deferred federal income tax: As permitted under regulations issued by the Treasury Department in the last half of 1962, the Company adopted "guideline" depreciation lives for federal income tax purposes but has continued its regular depreciation practices for financial statement purposes. The amounts of deferred federal income tax relate principally to the excess of depreciation for federal income tax purposes over the amounts provided for financial statement purposes.

NOTE 3 — Stock options: Under a "Restricted Stock Option Plan", approved by the stockholders on May 2, 1958 and amended on October 19, 1961, options may be granted to officers and key employees to purchase shares of the Company's common stock, at prices not less than 95% of fair market value. The Plan provides that the term of any option may not exceed ten years and that options may not become exercisable earlier than one year after the date of grant. The status of options outstanding under the Plan is as follows:

Fiscal Year Granted	Fiscal Year Becoming Exercisable	Option Price Per Share	Shares Under Option 6/30/62	Shares Exercised During Year	Shares Under Option 6/30/63
1959	1961	\$ 3.86	8,232	8,232	—
1960	1962	6.21	11,246	9,635	1,611
1961	1963	13.06	6,241	6,241	—
1961	1963 to 1967	18.95	60,850	—	60,850
1962	1963 to 1964	17.95 to 23.63	9,342	—	9,342
1963	1964 to 1966	18.47 to 20.48	—	—	62,500
			<u>95,911</u>	<u>24,108</u>	<u>134,303</u>

There were 298,960 shares at June 30, 1962 and 236,460 shares at June 30, 1963 available for grant under the Plan. At June 30, 1963 options on 50,806 shares were exercisable.

During the fiscal year 1963 options granted in August, 1957 on 19,940 shares of the Company's common stock were exercised at a price of \$3.54 per share.

The above information regarding number of shares and option prices has been adjusted as appropriate for stock splits and stock dividends.



REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board Directors and Stockholders,
Heublein, Inc.:

We have examined the accompanying consolidated balance sheet of Heublein, Inc. and subsidiaries at June 30, 1963 and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Heublein, Inc. and subsidiaries at June 30, 1963 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

New York, N.Y.
August 15, 1963



HEUBLEIN, INC.

FIVE YEAR CONSOLIDATED FINANCIAL POSITION AT JUNE 30

Current assets:	1963	1962	1961	1960	1959
Cash	\$ 2,743,983	\$ 3,163,892	\$ 3,169,339	\$ 3,924,952	\$ 2,408,447
Time deposits	6,000,000	3,500,000	—	—	—
Marketable securities	1,000,000	1,700,000	2,490,556	4,883,335	11,433
Investment in whiskey certificates	1,068,504	1,068,504	592,862	592,862	348,666
Accounts receivable	17,834,760	14,976,925	14,047,753	12,426,254	13,189,173
Inventories	9,127,079	9,659,027	10,248,922	8,268,826	6,924,386
Prepaid expenses	355,993	411,025	430,683	382,410	321,276
Total current assets	<u>38,130,319</u>	<u>34,479,373</u>	<u>30,980,115</u>	<u>30,478,639</u>	<u>23,203,381</u>
Current liabilities:					
Notes payable to banks	—	—	—	—	3,000,000
Accounts payable	2,078,327	2,197,506	2,173,418	1,932,748	1,407,975
Federal income tax	3,606,562	3,089,515	2,431,371	2,856,803	1,816,236
Accrued liabilities	4,043,973	3,659,181	2,770,947	2,687,894	1,975,392
Cash dividends payable	733,253	481,973	386,874	299,093	174,875
Long-term debt due within one year	777,000	716,000	656,000	631,000	480,000
Total current liabilities	<u>11,239,115</u>	<u>10,144,175</u>	<u>8,418,610</u>	<u>8,407,538</u>	<u>8,854,478</u>
Working capital	26,891,204	24,335,198	22,561,505	22,071,101	14,348,903
Property, plant and equipment — net	6,363,143	7,032,483	6,677,422	5,792,814	5,966,600
Deferred charges, other assets and goodwill	1,067,569	1,151,693	1,185,206	416,400	431,689
	<u>34,321,916</u>	<u>32,519,374</u>	<u>30,424,133</u>	<u>28,280,315</u>	<u>20,747,192</u>
Deduct: Long-term debt due after one year	3,239,000	4,016,000	4,732,000	5,388,000	6,019,000
Deferred federal income tax	153,564	40,706	—	—	—
Stockholders' equity	<u>\$30,929,352</u>	<u>\$28,462,668</u>	<u>\$25,692,133</u>	<u>\$22,892,315</u>	<u>\$14,728,192</u>
Per share of common stock outstanding at end of year	\$6.34	\$5.85	\$5.33	\$4.78	\$3.78



HEUBLEIN, INC.

FIVE YEAR CONSOLIDATED RESULTS OF OPERATIONS FOR YEARS ENDED JUNE 30

	1963	1962	1961	1960	1959
Net sales	\$121,994,885	\$116,141,949	\$108,281,236	\$103,168,562	\$ 87,647,367
Cost of sales	89,499,769	85,792,834	80,418,739	78,028,396	67,275,558
Gross profit	<u>32,495,116</u>	<u>30,349,115</u>	<u>27,862,497</u>	<u>25,140,166</u>	<u>20,371,809</u>
Expenses:					
Selling and advertising	18,271,413	16,444,295	16,088,635	14,276,394	12,709,945
Administrative and general	3,709,848	4,110,553	3,204,579	2,783,463	2,561,479
	<u>21,981,261</u>	<u>20,554,848</u>	<u>19,293,214</u>	<u>17,059,857</u>	<u>15,271,424</u>
	<u>10,513,855</u>	<u>9,794,267</u>	<u>8,569,283</u>	<u>8,080,309</u>	<u>5,100,385</u>
Other deductions (income):					
Interest expense	207,976	241,072	272,518	317,528	511,170
Interest income	(239,661)	(124,015)	(114,515)	(109,441)	(13,980)
Miscellaneous — net	(306,956)	81,741	9,870	84,562	140,886
	<u>(338,641)</u>	<u>198,798</u>	<u>167,873</u>	<u>292,649</u>	<u>638,076</u>
	<u>10,852,496</u>	<u>9,595,469</u>	<u>8,401,410</u>	<u>7,787,660</u>	<u>4,462,309</u>
State and federal income taxes	5,830,000	5,188,000	4,587,000	4,232,000	2,399,000
Net income	<u>\$5,022,496</u>	<u>\$4,407,469</u>	<u>\$3,814,410</u>	<u>\$3,555,660</u>	<u>\$2,063,309</u>
Number of shares of common stock outstanding at end of year (Note)	4,878,350	4,864,702	4,820,158	4,793,947	3,892,447
Net income per share (Note)	\$1.03	\$.91	\$.79	\$.74	\$.53
Dividends declared per share:					
Cash (Note)45	.38	.27	.22	.18
Stock	—	1%	3%	3%	2½%

NOTE: Adjusted as appropriate to give retroactive effect to stock dividends and stock splits.

